

Message Text

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ACTION NEA-16

INFO OCT-01 EUR-25 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-11 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

SS-20 USIA-15 FEA-02 AEC-11 AID-20 CEA-02 CIEP-03

COME-00 EB-11 FPC-01 INT-08 OMB-01 SAM-01 SCI-06

STR-08 TRSE-00 FRB-03 DRC-01 /195 W
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R 260648Z AUG 74

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 0669

INFO AMEMBASSY ABU DHABI

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY TEHRAN

USMISSION OECD PARIS

C O N F I D E N T I A L KUWAIT 3582

E.O. 11652: GDS

TAGS: ENRG KU

SUBJ: GULF PRESIDENT LEE VISITS KUWAIT

1. GULF PRESIDENT LEE WAS IN KUWAIT EARLIER IN WEEK TO DISCUSS PURCHASE OF KUWAITI CRUDE AFTER SEPTEMBER 30 AND TO EXPLORE FURTHER VARIOUS POSSIBILITIES FOR JOINT KUWAITI-GULF OIL CORP VENTURES. LEE SAID HE HAD NOTHING TO OFFER WHEN MINFINANCE AND OIL ATEEQI ASKED HIM FOR GULF'S VIEWS ON FOURTH QUARTER CRUDE PURCHASE ARRANGEMENTS; AND THE TWO OF THEM THEREFORE DECIDED TO MEET AGAIN, ALONG WITH BP, AFTER OPEC MEETING SEPT 12.

2. LEE SIAD HE HAD CONVEYED TO ATEEQI GULF'S STRONG DESIRE TO CONCLUDE LONG-TERM CRUDE PURCHASING AGREEMENTS WITH KUWAIT, AND TOGET AWAY FROM CURRENT QUARTERLY ARRANGEMENTS. IN REPLY ATEEQI HAD TOLD LEE HE HAD ALREADY WRITTEN TO OTHER OPEC MEMBERS
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SUGGESTING THAT AT SEPT 12 MEETING OPEC TAKE UP IDEA OF SETTING

FIXED CRUDE PRICES WHICH WOULD BE REVIEWED ONLY ONCE A YEAR. THESE PRICES, ATEEQI SAID, WOULD BE SUBJECT TO CHANGE ONLY IN CASE OF DEVALUATION. (ON OTHER HAND, MINFINANCE AND OIL UNDERSEC ALI KHALIFA TOLD LEE AND ME PREVIOUS EVENING THAT SUCH FIXED PRICES SHOULD BE SUBJECT TO INFLATION FACTOR AS WELL).

3. LEE SAID HE HAD SEEN REPORT THAT IRAN ALSO PURSUING IDEA OF FIXED CRUDE PRICES ON LONGER TERM BASIS. LEE SAID IRANIANS APPARENTLY THINKING OF DISCOUNT OF PERHAPS FIVE PERCENT FOR CERTAIN PORTION OF THEIR SALES TO CONSORTIUM COMPANIES CORRESPONDING TO "EQUITY" OIL IN STATES HAVING PARTICIPATION AGREEMENTS.

4. LEE SAID COMPOSITE PRICE TO GULF AND BP OF KUWAITI EQUITY AND PARTICIPATION CRUDE IN CURRENT THIRD QUARTER WAS ABOUT \$8.69. HE ADDED IF IDEA ATTRIBUTED TO IRAN (PARA THREE ABOVE) PREVAILED, PRESENT PRICE DIFFERENTIAL PRESENTLY ENJOYED BY GULF/BP AS 40 PERCENT OWNERS OF KOC WOULD BE CONSIDERABLY REDUCED. ON OTHER HAND, HE STILL FAVORED LONG-TERM ARRANGEMENTS IN INTEREST OF FACILITATING FORWARD COMPANY PLANNING AND OF MOVING SPOTLIGHT OFF OF CRUDE PRICES WHICH NOW COME UP FOR PUBLIC AIRING EVERY 90 DAYS.

5. LEE SAID KUWAITIS SHOWED INTEREST IN GULF ACTIVITIES IN NUCLEAR FIELD. LEE INDICATED HOWEVER THERE WAS MUCH ADDITIONAL WORK TO BE DONE BEFORE COOPERATION IN THIS AREA WOULD BE FEASIBLE.
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